

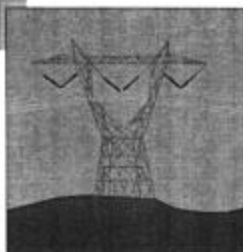


## ***FOURTH NATIONAL GREEN POWER MARKETING CONFERENCE***

***COMPETITION CATAPULTS PENNSYLVANIA  
TO A BRAVE NEW WORLD***

***May 10-11, 1999***

***Philadelphia, Pennsylvania  
Commissioner Nora Mead Brownell  
Pennsylvania Public Utility Commission***



## ***THE JOURNEY***

- ***HOW DID THIS GET LAUNCHED SO QUICKLY***
- ***HIGHLIGHTS OF THE LEGISLATION***
- ***WHERE IT ACTUALLY LANDED***
- ***WHAT THE MARKET LOOKS LIKE***
- ***ADVICE FROM THE TRENCHES***
- ***THE JOURNEY CONTINUES: WHERE TO NEXT?***



## **THE LAUNCH IT'S ALL ABOUT MONEY**

- **PA COSTS 15% ABOVE AVERAGE**
- **IF RATES WERE BROUGHT DOWN TO NATIONAL AVERAGE,  
SAVINGS OF \$1 - \$1.5 BILLION**
- **WIDE DISPARITY THROUGHOUT STATE**  
*over 100% between customer costs within a 1 mile radius*
- **PUC ISSUES FIRST REPORT TRASHING RESTRUCTURING**
- **PUC STAKEHOLDER DISCUSSIONS**  
*September - November 1996*
- **LEGISLATION PASSES IN 3 DAYS, EFFECTIVE  
JANUARY 1, 1997**
- **RESTRUCTURING CASES DECIDED BETWEEN DECEMBER '97  
AND JULY '98**



## ***THE LEGISLATIVE PLATFORM KEY PROVISIONS OF ELECTRIC COMPETITION ACT***

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- ***RATES CAPPED AT JANUARY 1, 1997 LEVELS FOR MINIMUM OF 54 MONTHS. RATE CAP ON GENERATION COULD LAST AS LONG AS 10 YEARS. LIMITED EXCEPTIONS TO RATE CAP POSSIBLE.***
- ***LICENSING OF ALL NEW ENTRANTS BY THE COMMISSION***
- ***PROGRAMS FOR LOW-INCOME CUSTOMERS CONTINUED AT JANUARY 1, 1997 LEVELS.***

## ***THE PLATFORM KEY PROVISIONS OF ELECTRIC COMPETITION ACT CONTINUED***

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- ***MASSIVE CONSUMER EDUCATION PROGRAM.***
- ***CUSTOMER SERVICE REGULATIONS CONTINUED.***
- ***STRANDED INVESTMENT UP TO PUC.***
- ***COMMISSION GIVEN NEW AUTHORITY TO MONITOR AND INVESTIGATE MARKET POWER.***
- ***PROVIDER OF LAST RESORT.***
- ***RESTRUCTURING DECISIONS ON MANDATED TIME TABLE.***
- ***NO MANDATED RATE CUTS.***
- ***5 % PILOT PROGRAM***

## ***THE LANDING: HARD TO GET TO, BUT EVERYONE WINS PENNSYLVANIA MODEL SETTLEMENTS***

- LONGER TERM CTC/TRANSITION PERIOD .
- AT LEAST 66% CONSUMERS CAN SHOP IN YEAR 1.
- PLR AGGREGATION.
- SHOPPING CREDIT WITH TRANSMISSION = BUNDLED RATE - CTC - DISTRIBUTION. THIS IS 'PRICE TO COMPARE'. (RETAIL)
- TWO-YEAR PHASE IN.
- RATES CAPPED AT 1.1.97 LEVELS FOR DURATION OF CTC.
- MODEST RATE REDUCTION YEAR 1 + 2.
- RENEWABLE ENERGY PILOTS VALUED AT \$3.5 MILLION.
- SUSTAINABLE ENERGY FUNDS: APPROXIMATELY \$55 MILLION
- METERING AND BILLING UNBUNDLED.
- STRONG CODES OF CONDUCT.
- CONSUMER EDUCATION \$100 MILLION

## ***STRANDED COST AWARDS***

<b><i>PECO</i></b>	<b><i>5.24 BILLION</i></b>
<b><i>PP&amp;L</i></b>	<b><i>2.97</i></b>
<b><i>DUQUESNE</i></b>	<b><i>1.331</i></b>
<b><i>WEST PENN</i></b>	<b><i>0.670</i></b>
<b><i>GPU ENERGY</i></b>	<b><i>0.990</i></b>
<b><i>PENN POWER</i></b>	<b><i>0.243</i></b>
<b><i>TOTAL</i></b>	<b><i>11.444 BILLION (VS. OVER \$18 BILLION REQUESTED)</i></b>



## ***STOCK PRICES OF JURISDICTIONAL ELECTRIC UTILITIES***

<i>COMPANY</i>	<i>52-WEEK HIGH</i>	<i>52-WEEK LOW</i>	<i>CLOSE</i>
<i>ALLEGHENY ENERGY</i>	<i>34 5/16</i>	<i>25 5/8</i>	<i>32 1/16</i>
<i>DUQUENSE</i>	<i>44 1/4</i>	<i>31 9/16</i>	<i>39 1/2</i>
<i>FIRSTENERGY</i>	<i>34 1/16</i>	<i>27 1/16</i>	<i>28 1/4</i>
<i>GPU</i>	<i>47 3/16</i>	<i>35 3/16</i>	<i>37 7/8</i>
<i>PECO</i>	<i>46 7/8</i>	<i>21 3/16</i>	<i>46 3/8</i>
<i>PP&amp;L</i>	<i>28 15/16</i>	<i>20 7/8</i>	<i>25 3/16</i>





## **THE LANDING**

### **HIGH PILOT PROGRAM PARTICIPATION**

- **APPROXIMATELY 230,000 CUSTOMERS ENDED UP SELECTING A SUPPLIER UNDER THE PROGRAMS - 91 % OF PARTICIPANTS.**
- **CUSTOMERS SAVED AN AVERAGE OF 10 % OFF THEIR MONTHLY ELECTRIC BILLS, OR \$5 MILLION IN 1998.**
- **NEARLY 1 MILLION CUSTOMERS SIGNED UP FOR 250,000 AVAILABLE SLOTS IN THE 1997-98 PILOT PROGRAM. AS A RESULT, EACH COMPANY CONDUCTED A LOTTERY TO SELECT ITS PILOT PARTICIPANTS FOR EACH RATE CLASS. UTILITIES WERE REQUIRED TO ALLOW 5 % OF THEIR RESIDENTIAL, COMMERCIAL AND INDUSTRIAL LOADS TO PARTICIPATE.**

## ***CUSTOMERS SELECTING COMPETITION...***

***PENNSYLVANIA IS SHOPPING. LATEST FIGURES SHOW 395,887 CUSTOMERS HAVE CHOSEN ALTERNATIVE SUPPLIERS. THIS REPRESENTS ABOUT 6,959 MW OF LOAD. CUSTOMERS WANT GREEN. PRICE IS NOT THE ONLY DRIVER. MARKETS WITH HIGHER SHOPPING CREDITS ARE MORE ROBUST.***

	<u>COMMERCIAL</u>	<u>INDUSTRIAL</u>	<u>RETAIL</u>
NUMBER OF CUSTOMERS	75,463	4,057	316,367
MW LOAD	2,737.5	3,559.6	822.1



## ***PENNSYLVANIA SHOPPING CREDIT (THE PRICE TO COMPARE)***

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- **SETTING THE PRICE TO COMPARE TO REFLECT ACTUAL COST IS A MUST.**
- **THE PRICE TO COMPARE IS BASED ON THAT PORTION OF THE FORMER TOTAL ELECTRIC RATE THAT IS DEDICATED TO ELECTRICITY GENERATION. IN MOST AREAS, THE PRICE TO COMPARE ALSO INCLUDES TRANSMISSION FOR EASE OF COMPARISON.**
- **CONSUMERS USE THE PRICE TO COMPARE AS A BENCHMARK IN THE MARKETPLACE - GENERATION PRICES LOWER THAN THE PRICE TO COMPARE WILL RESULT IN SAVINGS.**



*NUMBER OF CUSTOMERS SERVED BY AN ALTERNATIVE SUPPLIER AS OF 4/1/99*

	<i>RESIDENTIAL</i>	<i>COMMERCIAL</i>	<i>INDUSTIRAL</i>	<i>TOTAL</i>
<i>ALLEGHENY</i>	7,822	3,894	29	11,745
<i>DUQUESNE</i>	68,762	6,915	206	75,883
<i>GPU ENERGY</i>	34,886	16,520	1,418	52,824
<i>PECO ENERGY</i>	172,342	31,753	1,832	205,927
<i>PENNPOWER</i>	8,100	1,172	63	9,335
<i>PP&amp;L</i>	22,233	15,093	509	37,835
<i>UGI</i>	2,222	116	0	2,338
<i>TOTAL</i>	316,367	75,463	4,057	395,887

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE REVISED 4-15-99

## ***ADVICE FROM THE TRENCHES***

- **MASSIVE EDUCATION PROGRAM A MUST**
- **GET AHEAD OF EDI & OPERATIONAL ISSUES**  
**NO ONE WAS READY**
- **TRULY INDEPENDENT ISO WITH MARKET MONITORING**
- **STRONG CODES OF CONDUCT**
- **EMERGING MARKETS ARE FRAGILE AND MUST BE NURTURED**
- **AGGREGATION INCENTIVES**
- **RESTRUCTURE COMMISSION**
- **CUSTOMERS WANT INFORMATION**





## ***THE JOURNEY CONTINUES: WHAT NEXT?***

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- **CONTINUED CONSUMER AWARENESS CAMPAIGN**
- **FINE TUNE EDI**
- **MARKET POWER ISSUES**
- **ISO/RTO**
- **RULEMAKINGS ON COMPETITIVE SAFEGUARDS**
- **RECONCILIATION OF CTC COLLECTIONS**

## Appendix 1

Renewable Energy Pilot Program						
Company	Settlement/ Order/Opinion	Application Fee	Renewable Energy	Budget	Funding Source	Admin. Factor
<b>Allegheny Power</b>	Million Solar Roof	Inspection Fee:	1999-2000:	1999-2000	Universal Service	5% of entire
	Low Income Cust.	\$35 engenring.	Solar Hot Water	\$110,000 (99)	Energy Cons. Bdgt	budget
	C&R Customers	\$250Max.Inspect.	PV System	\$125,000 (99)		
	can install PVs &		Yr 2000 Budgt	\$265,000 (00)		
	Reneables/Self Gen.					
	Methane,Fuel Cell					
	Hydro, Wind					
	Biomass etc.					
<b>GPU Energy</b>	Renewable Energy	\$300 non PVs	1999-2000:	1999-2000		
	Self Generation	\$100 PV Systems	Solar Hot Water	\$300,000	Universal Service	5% of entire
	Net Metering	No add Charge	PV System	\$550,000	Energy Cons. Bdgt	budget
	Solar,Wind,Biomass	up to \$1,000 for	Yr 2000 Budgt	\$100,000		
	Methane,Fuel Cell	RED Rider Instls.	10 PVs 1999			
			20 PVs 2000			
<b>PP&amp;L</b>	Renewable Energy	\$300 non PVs	1999-2000	1999-2000	Universal Service	5% of entire
	Self Generation	\$100 PV Systems	Solar Hot Water	\$150,000	Energy Cons. Bdgt	budget
	Net Metering	No add Charge	PV System	\$175,000		
	Solar,Wind,Biomass	up to \$1,000 for	Yr 2000 Budgt	\$375,000		
	Methane,Fuel Cell	RED Rider Instls.	35 PVs 1999			
			75 PVs 2000			
<b>PECO Energy</b>	Renewable Energy	\$300 non PVs	PECO /LIURP	1999 Budget	Universal Service	5% of entire
	Self Generation	\$100 PV Systems	Implement Pilot	\$525,000	Energy Cons. Bdgt	budget
	Net Metering	No add Charge	Solar & PVs	2000 Budget		
	Solar,Wind,Biomass	up to \$1,000 for	50 PVs 1999	\$787,500		
	Methane,Fuel Cell	RED Rider Instls.	100 PVs 2000			

## Appendix 1 C inued

Sustainable Energy Program							
Company	Fund	T&D Charges	T&D	Purpose of	Advisory	PUC	S/A
	Payment	/ c/Kwh	Rate Cap	Program	Board	OK	Report
Allegheny Power	\$11.42 M	(1.73/kwh) .01/Kwh	.01c/kwh will not become a service charge	Promote Development and use of renewable energy & clean energy technologies,conservation & efficiency	Seven Member Advisory Board Nominated by Joint Petitioners	Yes	Yes
GPU Energy	ME \$5.7m PN \$6.4m TOT. \$12.1	(2.57/kwh) .01/kwh (2.57/kwh) .01/kwh	.01c/kwh will not become a service charge	Promote Development and use of renewable energy & clean energy technologies,conservation & efficiency	Seven Member Advisory Board Nominated by Joint Petitioners	Yes	Yes
PP&L	\$3.3m	(1.74/kwh) .01/kwh	.01c/kwh will not become a service charge	Promote Development and use of renewable energy & clean energy technologies,conservation & efficiency	Seven Member Advisory Board Nominated by Joint Petitioners	Yes	Yes
PECO Energy	\$3.5 m	(2.98/kwh) .01/kwh	.01c/kwh will not become a service charge	Promote Development and use of renewable energy & clean energy technologies,conservation & efficiency	Seven Member Advisory Board Nominated by Joint Petitioners	Yes	Yes



## ***EDC Renewable Budget and Sustainable Energy Fund Budget***

<i>EDC</i>	<i>Renewable Pilot (1999-2000) \$</i>	<i>Renewable Budget as % of Universal Service Budget (1999-2000)</i>	<i>Annual Sustainable Energy Fund \$</i>
<i>AP</i>	<i>610,000</i>	<i>8.3</i>	<i>1,900,000</i>
<i>Duquesne</i>	<i>250,000</i>	<i>4.5</i>	<i>0</i>
<i>GPU</i>	<i>850,000</i>	<i>5.8</i>	<i>2,420,000</i>
<i>PP&amp;L</i>	<i>850,000</i>	<i>3.6</i>	<i>3,500,000 (approx.)</i>
<i>PECO</i>	<i>1,300,000</i>	<i>1.3</i>	<i>3,500,000 (approx)</i>
<i>Total</i>	<i>\$3,860,000 per year</i>		<i>\$11,320,000 per year</i>
	<i>2 years - \$7,720,000</i>		<i>5 years - \$56,600,000</i>

## ***APPENDIX II***

### ***CONSUMER EDUCATION - YEAR I***

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#### **■ FUNDING**

- **ADVERTISING \$7.5 MILLION**
- **PUBLIC RELATIONS \$2.4 MILLION**
- **PHONE CENTER \$1.5 MILLION**
- **RESEARCH \$100,000**

#### **■ CONTRACTORS**

- **EARLE PALMER BROWN - ADVERTISING**
- **BURSON-MARSTELLER - PUBLIC RELATIONS**
- **MENDOZA-HARMELIN**
- **BEACH ADVERTISING**



## APPENDIX II (Cont.)

# COMPREHENSIVE EDUCATION PROGRAM

